Fed report lifts lid on Great Bank Heist of 2008-2009

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The US Federal Reserve Board on Wednesday released documents on emergency measures it took between 2007 and 2010, using taxpayer funds, to bail out major financial firms in the US and around the world. The sums involved are staggering.

Fed bailout loans outstanding reached a high of $3.3 trillion, but the cumulative amount of cash funneled by the US central bank to banks, hedge funds and major industrial corporations reached the tens of trillions of dollars.

Every major Wall Street bank was on the Fed dole, as were giant companies including General Electric and Verizon Communications. The Fed ran nearly a dozen separate bailout programs which together eclipsed by far the Treasury Department's $700 billion Troubled Asset Relief Program—the program that handed over billions in public funds to the banks in 2008 and 2009. In comparison to the amounts funneled by the Fed to US financial institutions, the Obama administration's $787 billion stimulus package was a drop in the bucket.

These vast sums were loaned out at rock-bottom interest without any strings attached. The banks and corporations that benefited were not even obliged to provide an account of what they did with the money. The entire purpose of the operation was to use public funds to cover the gambling losses of the American financial aristocracy, and create the conditions for the financiers and speculators to make even more money.

All of the 21,000 transactions cited in the Fed documents—released under a provision included, over the Fed's objections, in this year's financial regulatory overhaul bill—were carried out in secret. The unelected central bank operated without any congressional mandate or oversight.

The documents shed light on the greatest plundering of social resources in history. It was carried out under both the Republican Bush and Democratic Obama administrations. Those who organized the looting of the public treasury were long-time Wall Street insiders: men like Bush's treasury secretary and former Goldman Sachs CEO Henry Paulson and the then-president of the New York Federal Reserve, Timothy Geithner.

Obama signaled the continuation of the policy of social plunder by appointing Geithner as his treasury secretary. On the industrial front, he selected investment banker Steven Rattner—now under indictment for corrupt dealings with the New York State pension fund—to head his Auto Task Force and impose mass layoffs, 50 percent wage cuts on new-hires, and reductions in health care and other benefits on workers at General Motors and Chrysler.

The release of the Fed report, coming in the midst of preparations to extend the Bush-era tax cuts for the rich and impose savage austerity measures on the working class, demonstrates in the clearest possible manner the class interests defended by the government and both political parties.

It exposes the fraud of Obama's endless paeans to the “free market” and “private enterprise” as the “engines” of economic growth. In contemporary America, profits are private, corporate losses are socialized. And those who must pay the bill are the working class.

The Fed documents show that the US central bank enabled banks and corporations to offload their bad debts onto the Fed's balance sheet. Now, in order to prevent a collapse of the dollar and a default by the US government, the American people are being told they must sacrifice to reduce the national debt and budget deficit.

But as the vast sums make clear, the “sacrifice” being demanded of working people means their impoverishment—wage-cutting, mass unemployment,

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cuts in health care, Social Security, Medicare, Medicaid, etc.

The very scale of the Fed bailout points to the scale of the financial crash and the criminality that fostered it. Every major financial institution piled up huge profits by speculating wildly with borrowed money. The big banks stoked a housing market bubble based on predatory sub-prime mortgages sold to low-income workers, knowing that the loans were likely to default.

The entire US capitalist economy rested on a huge Ponzi scheme that was bound to collapse. Bernard Madoff, arrested in December 2008 and jailed for life for his $20 billion scam, was a piker compared to the CEOs at Goldman Sachs, JPMorgan Chase, Citibank, Bank of America and Morgan Stanley.

Far from these predators being held accountable, the intervention of the White House, Congress, the Treasury and the Fed was concentrated entirely on giving them the wherewithal to continue and even expand their speculative operations. One of the Fed's bailout programs, the Primary Dealer Credit Facility, extended a cumulative total of $9 trillion in overnight, low-cost loans to the major Wall Street investment firms. Another program, the Term Auction Facility, provided longer-term low-interest loans to banks totaling nearly $4 trillion.

The banks were able to take the cheap cash from the Fed and lend it back to the government at double and quadruple the interest rates they were initially charged—pocketing many billions in the process.

Another Fed program, the Term Asset-Backed Securities Loan Facility (TALF), became a cash cow through which wealthy and well-connected investors realized gargantuan profits. Hedge funds, including those that had made a fortune by betting on the collapse of the housing market, realized profits as high as 48 percent, and generally between 20 percent and 40 percent, by taking advantage of the Fed program.

The criminality that precipitated the financial crash and ensuing depression was not only covered over, it was compounded. As a result, corporate profits are higher than ever, as are executive bonuses, while the working class is suffering a catastrophic decline in its living standards.

The ongoing saga of the looting of the economy by the financial elite puts the lie to the endless claims that “there is no money” for jobs, housing, education or health care. The ruling class is awash in money.

Fully exposed as well is the sham of democracy under capitalism. As the Fed documents underscore, all major decisions are dictated by the financial elite. The government, the official parties, Congress, the courts are all at root instruments of its class dictatorship. The interests and desires of the working class find no expression within the existing political system.

The only solution is a political and revolutionary one. The working class must establish its own political movement to fight for socialism. This includes the expropriation of the ill-gotten wealth of the financial elite and the nationalization of the banks and their transformation into public utilities, democratically controlled by the working population.

The existing political setup, including the unelected Federal Reserve, must be abolished and replaced by a democratic workers' government, based on mass, popular organizations of the working class.

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